



DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO

MMPPP
PROCLTR 96- 40

OCT 04 1996

MEMORANDUM FOR PROCLTR DISTRIBUTION LIST

SUBJECT: Limitations on Use of Requirements Contracts in the Reengineered Business Environment

In MMPPP PROCLTR 96-13, dated April 19, 1996, we highlighted the many advantages of indefinite-quantity contracts (IQCs) which make them preferable to requirements contracts. IQCs best promote the Agency's strategic reengineering objectives by facilitating establishment of multiple flexible ordering arrangements which both incentivize contractor performance and competitive prices, and enhance customer support. By promising one vendor all our business, requirements contracts restrict our customers' ability to choose among different support arrangements and inhibit our continuing implementation of new business practices that best suit their needs.

As we continue to make available to our customers overlapping sources of supply, DLA contracting officers must maximize the use of IQCs, awarding requirements contracts only in rare cases, such as when it is standard industry practice and the contractor will only accept this contract type. When a requirements contract must be awarded, contracting officers shall carefully define the requirements commitment that applies to the contract so that the use of new business practices under other customer support arrangements is not precluded. Examples of how this can be done include, but are not limited to, limiting the requirements commitment under the contract by geographic region, or to orders placed by a specified ordering or requiring activity. In such cases, the contracting officer shall consult with local Counsel on the validity of the requirements commitment being provided to ensure it is sufficient to bind the parties. In those cases where a conflict in ordering arrangements has already been identified, contracting officers should not delay implementing a new business practice. Rather, they should pursue remedies such as renegotiating the limits of the requirements commitment at the time the conflict becomes apparent or, as a minimum, prior to exercising an available contract option; not exercising available requirements contract options; negotiating a no-cost settlement or other mutually agreeable "walkaway"; and even terminating for convenience existing requirements contracts, if determined appropriate and in the Government's interest.

This PROCLTR expires, for record keeping purposes, upon dissemination to contracting personnel. Our POC is Ms. Ynette Shelkin, who can be reached at (703) 767-1356, DSN 427-1356, by facsimile at DSN 427-1359, or by e-mail at ynette_shelkin@hq.dla.mil.

FOR THE DIRECTOR:

ROBERT L. MOLINO
Executive Director
(Procurement)